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Further state budgetary pain expected, even if the economy improves, according to the Phoenix office of Grant Thornton LLP's state and local tax predictions for 2010

PHOENIX, FEBRUARY 8, 2010 – There will be further state budgetary pain, even if the economy improves, according to the Phoenix office of Grant Thornton LLP, which identifies 10 state and local tax (SALT) issues that will be considered by state legislative bodies in 2010 in an attempt to balance their budgets.

“As Grant Thornton predicted in last year’s SALT legislative outlook, trends and predictions alert, 2009 turned out to be ‘a very trying year’ for state legislatures due to the economic environment,” said David Griffiths, CPA, executive director of the state and local tax practice in Phoenix. “States were forced to decide whether to reduce expenses by cutting services or resort to wholesale state tax changes in an effort to increase revenue. Armed with the addition of some federal stimulus funds and one-shot items, states largely chose the former option to fill gaping budgetary holes in 2009.

“In 2010, faced with this same choice in a period of declining revenues and increased obligations, states are likely to be forced to choose the latter option, either through pure tax rate increases or through the guise of state tax reform,” said Griffiths. “In essence, the perennial question of ‘will they or won’t they change the current tax system?’ is likely to be replaced in 2010 by ‘how will they change the current tax system, and what will it mean for taxpayers?’”

“In what is expected to be a historically critical time for states, it will be exceedingly difficult to make specific predictions as to how states will address their state budgetary issues in 2010,” concluded Griffiths. “However, we are going to look into the crystal ball in a quest to determine which state and local tax trends will rule the rest of the year.”

Some of the trends that Grant Thornton’s SALT practice expects to see in 2010 include:

1. Further state budgetary pain, even if the economy improves;
2. Significant changes to corporate tax systems, particularly in large states;
3. Continuing adoption of amnesty programs;
4. Lengthened legislative sessions that deal with revenue shortfalls; and
5. More state decoupling from federal tax legislation.

To read the entire Grant Thornton *State & Local Tax Alert: SALT Legislative Outlook, Trends and Predictions for 2010*, please go to www.GrantThornton.com/SALTalerts.

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